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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/923,035	08/06/2001	John Nafeh	PA3817US	8962
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CARR & FERRELL LLP 2200 GENG ROAD PALO ALTO, CA 94303			EXAMINER MILEF, ELDA G	
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**Please find below and/or attached an Office communication concerning this application or proceeding.**

The time period for reply, if any, is set in the attached communication.

## Office Action Summary

Application No.

09/923,035

Applicant(s)

NAFEH ET AL.

Examiner

Elda Milef

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

### Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

### Status

- 1) ☒ Responsive to communication(s) filed on 15 August 2007.
- 2a) ☒ This action is **FINAL**. 2b) ☐ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

### Disposition of Claims

- 4) ☒ Claim(s) 1-126 is/are pending in the application.
- 4a) Of the above claim(s) 29-95, 97-103, 106-112, 116-123, 125 and 126 is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 1-28, 96, 104, 105, 113-115 and 124 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

### Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on \_\_\_\_\_ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.  
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

### Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some \* c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
2. ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

### Attachment(s)

- 1) ☒ Notice of References Cited (PTO-892)
- 2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- 3) ☐ Information Disclosure Statement(s) (PTO/SB/08)  
Paper No(s)/Mail Date \_\_\_\_\_.
- 4) ☐ Interview Summary (PTO-413)  
Paper No(s)/Mail Date \_\_\_\_\_.
- 5) ☐ Notice of Informal Patent Application
- 6) ☐ Other: \_\_\_\_\_.

## DETAILED ACTION

### ***Claim Rejections - 35 USC § 103***

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

1. Claims 1-28, 104, 105, 113-115, 124 are rejected under 35 U.S.C. 103(a) as being unpatentable over Shepherd (US Patent No. 5,970,479) in view of Slyke et al (hereinafter Slyke US 2002/0042770 A1) in further view of Basics (Basics of stock index futures trading Note: Part 3.; Graphics (Statistics) - Bearish Strategy.; STF- This is the third of a series of educational articles presented by the Kuala Lumpur Options & Financial Futures Exchange Bhd with editorial contribution by Advanced Risk Management Solutions Pte Ltd (Singapore). Business Times. Kuala Lumpur: Apr 29, 1996. pg. 04)

**Re Claim 1:** Shepherd disclose methods and apparatus relating to the formulation and trading of risk management contracts comprising the steps of:

establishing a computer-network based futures trading system electronically accessible by traders, said trading system including a plurality of trading accounts, each

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trader on the trading system being associated with at least one of the trading accounts;  
-see col. 7, lines 32-49; figure 2.

Shepherd does not specifically disclose establishing, on said trading system, a plurality of separate contracts within contract bundles, wherein each contract bundle comprises at least two separate contracts, and selling, over said trading system, at least one of the plurality of separate contracts with the contract bundle. Slyke however, discloses liquid insurance (i.e. risk management) contracts, including the use of bundling multiple existing contracts (paragraph 0268-0269). It would have been obvious to one having ordinary skill in the art to include the teachings of Slyke to the disclosure of Shepherd in order to reduce the risk associated with dealing with future events. For example, Slyke notes a specific example of bundling an LIC with a currency exchange contract when dealing with investments in foreign currencies. This bundle is necessary to both hedge against the risk of future event of the contract itself, as well as any fluctuations in currency that result over the life of the contract.

Shepherd and Slyke do not explicitly disclose each contract bundle paying an aggregate fixed sum at maturity. It is old and well known in the art of stock and futures trading that cash settlement occurs on the maturity date of futures contracts as evidenced by Basics see p.1 Full text para. 2 to p.2, para. 3. It would have been obvious to one having ordinary skill in the art at the time the invention was made to modify Shepherd and Slyke to explicitly include that cash settlements of futures contracts are performed on the maturity date as taught by Basics in order to provide the traders with income based on the investment in futures contracts.

Although Shepherd discloses accepting futures contracts for resale in col. 5 lines 25-40, Shepherd does not specifically disclose accepting for resale, the at least one of the plurality of separate contracts within the contract bundles. Slyke however, teaches LICs with detachable options-see pars. 166-171 and settling the at least one of the plurality of separate contracts against the trading account of the trader of said separate contract-see pars. 200-206, 166-171, 235. It would have been obvious to one having ordinary skill in the art at the time the invention was made to modify Shepherd to specifically include liquid insurance contracts (LICs) with detachable options/securities as taught by Slyke in order to allow underwriters who would prefer to obtain more cash early on to detach and sell the detachable premium security.

Shepherd does not explicitly disclose assessing a transaction fee for at least one of the said steps of selling, accepting for resale, or settling of the at least one of the plurality of separate contracts. Slyke however disclose transaction fees in para 207, and 304. It would have been obvious to one having ordinary skill in the art at the time the invention was made to modify Shepherd to specifically include transaction fees as taught by Slyke in order to generate revenue and pay expenses incurred by the exchange.

It is also was well known in the art at the time of invention and therefore would have been obvious to include transactions fees in financial matching systems so that the persons sponsoring the matching system can experience a revenue stream for their services. Furthermore, experts, on behalf of clients and in exchange for a small fee, have long brokered futures contracts and the continuation of this process in an

automated environment would also have been obvious.

**Re Claims 2-6:** Shepherd does not explicitly disclose establishing a computer-network based futures trading system electronically accessible by prospective traders includes establishing a computer-network based futures trading systems electronically accessible by prospective traders via at least an internet interface; allowing only predetermined computer-network users to view information about said trading system. Slyke however, teaches a method for bidding using the Internet -see para. 133 and a qualifying a buyer /underwriter process-see pars. 126-128. It would have been obvious to anyone skilled in the ordinary art at the time of invention to modify Shepherd to specifically include qualifying users of the trading system in order to protect the customers and the exchange from fraud and unfair business practices.

**Re claim 7:** Shepherd discloses contracts paying a fixed sum or a zero sum depending on an outcome of a future event.-see col. 4 lines 17-23; col. 5 lines 12-24. Shepard does not specifically disclose separate contracts. Slyke however, teaches separate contracts included in a bundle. -see pars. 268-273. It would have been obvious to one having ordinary skill in the art to include the teachings of Slyke to the disclosure of Shepherd in order to reduce the risk associated with dealing with future events.

**Re Claim 8, 9:** Shepherd/Slyke/Basics disclose the claimed method supra, Shepherd further discloses the step of receiving data from a prospective trader identifying a predetermined phenomenon for which a futures contract is desired, the phenomenon having at least two future possible outcomes at a time of maturity (Column

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4, lines 17- 23). Shepherd discloses wherein the step of selling futures contract bundles, includes selling a futures contract bundle comprising at least two futures contracts, each of said at least two futures contracts corresponding to one of said at least two future possible outcomes of said future event. (Column 4, lines 25- 29). Shepherd does not specifically disclose separate contracts. Slyke however, teaches separate contracts included in a bundle. –see pars. 268-273. It would have been obvious to one having ordinary skill in the art to include the teachings of Slyke to the disclosure of Shepherd in order to reduce the risk associated with dealing with future events.

**Re Claim 10:** Shepherd/Slyke/Basics disclose the claimed method supra including separate contracts within a bundle as in claim 1 above, but do not explicitly disclose determining whether a future event for which at least one contract bundle is desired for the issuance of at least one futures contracts bundle thereon. However, the fact that the system issues a futures contract related to a predetermined phenomenon implies that the contract is suitable (Shepherd, Column 4, lines 30-33). The entry of information by the ordering stakeholder such as the range of future outcomes, time of maturity and entitlement due at maturity (Shepherd, Column 4, lines 47-55) shows that the system requires information specific to a futures contract and will not execute the transaction unless said information is provided.

**Re Claim 11:** Shepherd/Slyke/Basics disclose the claimed method supra but do not explicitly disclose the step of establishing over said trading system, a plurality of futures contract bundles, each contract bundle comprising at least two separate futures

contracts, at least one of said plurality of futures contract bundles having a time period from a sale thereof to an expiration thereof which partially overlaps the time period from a sale of another of said plurality of futures contract bundles until an expiration of said another of said plurality of futures contract bundles, said at least one of said plurality of futures contract bundles corresponding to a first periodic occurrence of said future event and said another of said plurality of futures contract bundles corresponding to a second periodic occurrence of said future event. However it was well known in futures markets at the time of invention that similar contracts involving the same future event but having a different expiratory date could be traded concurrently. For example, different futures contracts involving an interest rate can be traded concurrently with different expiratory dates (i.e. 3 months, 6 months, one year). In this way a person looking to hedge against rising or falling interest rates, specific to a future date can trade according to the time period for which they are interested. It would have been obvious to anyone skilled in the ordinary art at the time of invention to include this feature to the disclosure of Shepherd and Slyke because it was a common practice in futures markets and would have provided users with more hedging opportunities.

**Re Claim 12:** Shepherd/Slyke/Basics disclose the claimed method supra but do not explicitly disclose the step wherein each one of said plurality of futures contract bundles are sold at staggered time periods having a predetermined relationship to the timing of a specific periodic occurrence of said future event associated therewith. Following the example from previously rejected claim 11, it was well known in the art at the time of invention that participants in futures markets have traded in interest rate



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futures to hedge against rising or falling interest rates. Furthermore it was well known in the art that interest rate futures contracts often deal with quarterly projections, which are staggered time periods having a predetermined relationship to the timing of a specific occurrence of a future event (the actual reporting of the change in the interest rate). It would have been obvious to anyone skilled in the ordinary art at the time of invention to include this feature to the disclosure of Shepherd and Slyke because it was a common practice in futures markets and would have provided users with more hedging opportunities.

**Re Claim 13:** Shepherd/Slyke/Basics disclose the claimed method supra but does not explicitly disclose the step of establishing, over said trading system, a contract bundle associated with a specific periodic occurrence of said future event at substantially the same time as an expiration of a futures contract bundle associated with another periodic occurrence of said future event. However it was well known in futures markets that certain contracts regarding the same future events, but with different expiratory dates are sold at different time periods, specifically one is sold at substantially the same time as the expiration of the other, because the resulting outcome of the first contract affects the range of possible outcomes for the second contract. For instance, in projecting the change in earnings of a particular company from one quarter to the next, market participants would need to know the outcome of the previous quarter before any sort of range outcomes can be set for the contract associated with the second bundle. It would be obvious to anyone skilled in the ordinary art at the time of invention to include this feature to the disclosures of Shepherd and

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Slyke, because it was a common practice in futures markets.

**Re Claim 14:** Shepherd/Slyke/Basics disclose the claimed method supra and Shepherd further discloses the steps wherein selling and settling are accomplished in a credit-risk free manner (Column 5, lines 56-60).

**Re Claim 15:** Shepherd/Slyke/Basics disclose the claimed method supra but does not explicitly disclose the steps of selling is on margin and the step of selling and the step of settling said are accomplished in a credit risk manner. However it was well known in the art to sell any financial instrument, including futures contracts, on margin. This allows participants to hedge their positions by purchasing expensive contracts even if they do not have the resources to buy them individually. Once the contracts are settled the borrowed portion is paid, but the hedged position is maintained. This being said, there is always a credit risk involved in such a transaction as the borrower could possibly default on the loaned portion. It would have been obvious to anyone skilled in the ordinary art at the time of invention to include this feature to the disclosure of Shepherd and Slyke because it was a common practice in futures markets and provides customers, via borrowing, with broader hedging opportunities.

**Re Claim 16:** Shepherd/Slyke/Basics disclose the claimed method supra and while not explicitly disclosing the step of accepting trader indicia of the identity from at least one of the traders. Shepherd does disclose that counterparty stakeholders input registering data (Column 4, lines 25-29), which would include the identity of the counterparty. It would have been obvious to include the identity of the prospective

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counterparties so that participants are aware of whom they are trading with and the potential risks involved.

**Re Claim 17:** Shepherd/Slyke/Basics disclose the claimed method supra but do not explicitly disclose the steps of selling, accepting for resale, settling or assessing, over said trading system, are only with respect to the at least one of the traders having said indicia. However, it was well known in the art at the time of invention that in any market wherein financial instruments are traded it is often times advantageous to know the prospective trading partner. In this way, certain parties who are undesirable trading partners can be filtered out before the transaction takes place. It would have been obvious to anyone skilled in the ordinary art at the time of invention to include this feature in the disclosures of Shepherd and Slyke so participants have an element of control as to whom they transact with.

**Re Claim 18, 19:** Shepherd discloses the claimed method supra but does not explicitly disclose wherein only a predetermined group of traders may access trading system wherein the group is selected from predefined or pre-qualified traders. Slyke however, teaches a buyer/underwriter qualification process-see pars. 126-128. It would have been obvious to one having ordinary skill in the art at the time the invention was made to modify Shepherd to specifically include the prequalification of traders as taught by Slyke in order to protect the customers and the exchange from fraudulent transactions. Furthermore, this step would have been obvious to anyone skilled in the ordinary art since often times futures contracts are relevant only to a certain sector and therefore the contracts are only extended to these parties. In this way outside parties

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without an interest in the particular commodity cannot affect the price of the contract.

**Re Claim 20:** Shepherd/Slyke/Basics disclose the claimed method supra including separate contracts within a bundle as in claim 1, but do not explicitly disclose the step of introducing new futures contracts to the trading system as a split of an existing separate contract, an aggregate liquidation value of the new contracts equaling the liquidation value of the existing separate contract which is split. However, this step was notoriously well known to anyone skilled in the ordinary art and therefore would have been obvious to include. If it becomes apparent, before the expiratory date, that one outcome of a futures contract is fairly certain, then this particular outcome can be further split, thus allowing participants to further refine their hedged position. The total value of the contract must remain the same, but participants are given the opportunity to better their current position

**Re Claim 21:** Shepherd/Slyke/Basics discloses the claimed method supra including separate contracts within a bundle as in claim 1 and while not explicitly disclosing the step of concurrent with said step of introducing new futures contracts to the trading system as a split of an existing separate contract, retiring said existing separate contract, this step is consistent with, and therefore obvious to anyone skilled in the ordinary art, the process of splitting a futures contract. Since it has been determined that one outcome in the original contract is almost guaranteed to occur, this option is split into further options to encourage further trading and allow participants to further hedge their positions. At the same time the old contract is retired since the other outcomes are essentially worthless and trading on these positions should be halted.

**Re Claim 22:** Shepherd/Slyke/Basics disclose the claimed method supra including separate contracts within a bundle as in claim 1, but does not explicitly disclose the step of receiving at least two existing separate contracts prior to a maturity thereof and introducing a new futures contract to the trading system as a combination of said existing futures contract, a liquidation value of the new futures contract equaling an aggregate of the liquidation value of said at least two existing separate contract. However the process of combining two existing futures contracts into an aggregated singular contract was well known in futures markets and would therefore be obvious to anyone skilled in the ordinary art to include in an electronic market such as the one of Shepherd. In this way the electronic version can mimic the existing market as much as possible and provide participants with all the advantages of the traditional markets. The value would also have to be the aggregated value since the price of a Contract cannot be destroyed and must remain constant until the payout date.

**Re Claim 23:** Shepherd/Slyke/Basics disclose the claimed method supra including separate contracts within a bundle as in claim 1, but does not explicitly disclose the step of soliciting, over said trading system a trader for delivery of said at least one new contract, which completes contract bundle, prior to a maturity thereof. However this step would have been obvious to anyone skilled in the ordinary art at the time of invention so that these outstanding separate contracts can be bought and grouped together. In this manner the number of outstanding contracts involving just one of the merged contracts can be limited, and more of the new contract bundles can be issued.

**Re Claim 24:** Shepherd/Slyke/Basics discloses the claimed method supra including separate contracts within a bundle as in claim 1 and Shepherd further discloses the step of accepting said futures contracts for settlement thereof includes accepting contract bundles for settlement at an expiration thereof (Column 5, lines 12-24).

**Re Claim 25:** Shepherd/Slyke/Basics disclose the claimed method supra including separate contracts within a bundle as in claim 1 and Shepard discloses redemption prior to an expiration thereof. (Column 5, lines 47-55). Also, Basics discloses redemption prior to an expiration of the contract.-see p.2 para. 1-4.

**Re Claim 26:** Shepherd/Slyke/Basics disclose the claimed method supra and Shepherd further discloses the step of providing a market authority for mediating any dispute related to said trading system (Column 5, lines 56-60).

**Re Claim 27:** Shepherd/Slyke/Basics disclose the claimed method supra but do not explicitly disclose establishing a computer network based contract trading system electronically accessible by non-trading observers. However this step would have been obvious to anyone skilled in the ordinary art since many trading platforms for financial instruments allow for non- trading observers. For instance observers, not just traders have access to stock tickers and the like that display market information and furthermore, web based markets allow any registered user to access and view trading systems regardless of their desire to trade.

**Re claim 28:** Further a system would have been necessary to perform the method of previously rejected claims 1,17-19 in combination and is therefore rejected using the same art and rationale.

**Claims 104, 105** have similar limitations found in claims 1 and 28 above, and therefore are rejected by the same art and rationale.

**Claims 113, 124** have similar limitations found in claim 1 above, and therefore are rejected by the same art and rationale.

**Claims 114, 115** have similar limitations found in claims 1 and 7 in combination above, and therefore are rejected by the same art and rationale.

2. Claim 96 is rejected under 35 U.S.C. 103(a) as being unpatentable over Shepherd, Slyke, and Basics as applied to claim 28 above, and further in view of Togher (U.S. Patent No. 5,375,055).

**Re claim 96:** Shepherd/Slyke/Basics discloses the claimed method supra but do not explicitly disclose anonymous trading. Togher however, disclose anonymous trading-see Abstract. It would have been obvious to one having ordinary skill in the art at the time the invention was made to modify Shepherd, Slyke, and Basics to specifically include anonymous trading as taught by Togher in order to avoid an unwanted shift in the market due to the buying practices of large institutional investors.

### ***Response to Arguments***

3. Applicant's arguments with respect to claims 1-126 have been considered but are moot in view of the new ground(s) of rejection.

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Any inquiry concerning this communication or earlier communications from the examiner should be directed to Elda Milef whose telephone number is (571)272-8124. The examiner can normally be reached on Monday -Thursday 8:30 am to 4:30pm.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Kambiz Abdi can be reached on (571)272-6702. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

  
Elda Milef  
Examiner  
Art Unit 3692

Kambiz Abdi  
SPE  
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